

**TOWN OF PE ELL**  
**Lewis County, Washington**  
**January 1, 1992 Through December 31, 1992**

---

**Schedule Of Findings**

---

1. Internal Controls Over Water/Sewer Transactions Should Be Strengthened

We found that records of the Water/Sewer Fund activities were inadequate, incomplete, and in general unauditible. Various deficiencies in procedures and in the internal control environment were noted as follows:

- Corrections to the accounting records failed to identify who authorized the corrections, who affected the corrections, the reason for the corrections, and the date or dates that the corrections were performed.
- Records documenting when utility service was disconnected and subsequently reconnected were not maintained consistently.
- Pertinent records were removed from city hall and maintained by various employees, ex-employees, and city officials as "personal" documents.
- Existing water/sewer ordinances were vague and in some cases contradictory and were not consistently applied.

Good tenets of internal control require that transactions be well documented, consistent, and recorded in their entirety. Without complete and accurate record retention and concise ordinances applied in a consistent manner, management cannot be assured of the completeness nor the accuracy of the accounting system. Furthermore, the absence of controls, appropriate recordkeeping and retention, and vague and inconsistently applied city ordinances adversely affect audit costs.

We recommend that the city institute internal controls over the water/sewer system which encompass, but are not limited to, who can initiate a transaction, who performs the transaction, and documenting when the transaction occurred. Narratives should be maintained explaining the circumstances surrounding any nonstandard event. Utility service disconnects and reconnects to the water/sewer system should be based on written requests from an authorized party and the documentation should be retained. Furthermore, the existing water/sewer ordinances should be revised to provide clearer guidelines for the benefit of customers and the city's personnel.

2. Town Officials Need To Limit Expenditures To Budget Appropriations

Appropriations in the annual budget in 1992 were not sufficient to meet expenditures from the following funds:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>(Over)</u>
Current Expense	\$130,364	\$160,707	\$(30,343)
City Street	26,044	30,148	(4,104)

The overspending of appropriations violates the provisions of RCW 35.33.121 which states in part:

... the expenditures of the city or town funds or the incurring of current liabilities on behalf of the city or town shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year . . .

(4) Funds received in excess of estimated revenues during the current fiscal year, when authorized by an ordinance amending the original budget . . .

(5) Expenditures required for emergencies, as authorized in RCW 35.33.081 and 35.33.091 . . . .

The overexpenditures resulted from a failure to properly monitor expenditures in relation to appropriations and erroneously treating a pass-through Community Development Block Grant Float Loan (CDBG FL) as nonrevenue/nonexpenditure. The financial statements accompanying our financial audit opinion have been corrected to properly reflect the CDBG FL as revenue and expenditures within the Current Expense Fund.

The Town of Pe Ell has received findings for failing to properly monitor expenditures in relation to appropriations for four of the last seven years under audit (1986, 1987, 1989, and 1992).

We recommend the town avoid exceeding its appropriations by authorizing budget amendments, when appropriate, and establishing oversight procedures to monitor expenditures in relation to appropriations.

3. The Town Should Bill Inactive Accounts In The Water/Sewer Fund According To The Town's Ordinances

From October 21, 1991, through October 8, 1992, one water/sewer account was noted that had the water turned off at the street and the meter left attached to the residence. This account incurred no water/sewer charges during this inactive period.

Per Ordinance 325, as amended by Ordinance 327, vacant houses or rentals have two options during inactive periods:

No. 1. Have the meter removed with no monthly charge. But if they want to resume the service, they will be considered a new service, and will be charged the current water/sewer hook-up fee collected at that time.

No. 2. If the owner desires to leave the meter in place, they will pay the basic charge of \$17.85 per month if no consumption is registered on the meter, otherwise the monthly charge will be \$35.00.

By not billing the customer for charges authorized by the town's ordinances, the city failed to collect moneys rightfully owed to the Water/Sewer Fund.

This condition apparently occurred because of unclear provisions in the utility ordinances which lead to differing interpretations of the amount due and because of the confusing nature of this particular billing.

We recommend that the town bill the customer for the inactive period according to the provisions of the town's ordinances.